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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/22/07

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ARTICLES:

(1) Gov't explanation collapsing due to suspicions over fuel supplying; US statement fails to show grounds for denial

ASAHI (Page 4) (Abridged)
October 20, 2007

The government's explanation about the suspected diversion of fuel provided by the Maritime Self-Defense Force to a US supply ship in the Indian Ocean is about to collapse. The government explained that the fuel was appropriately used in line with the purpose of the Antiterrorism Special Measures Law. On Oct. 18, the US Department of Defense released a statement denying the suspected diversion of MSDF-supplied fuel. However, the Pentagon owned up to the difficulty of tracking the use of MSDF-provided fuel, failing to show any clear-cut grounds to brush off the allegations. Meanwhile, it was also brought to light that former Administrative Vice Defense Minister Takemasa Moriya had often played golf with a defense contractor. The Diet is scheduled to start deliberations shortly on a new legislative measure for refueling assistance. However, the legislation's future course is growing even murkier.

"The United States is the one and only ally (of Japan), and I take it for granted that we, on the government's part, should trust its statement." With this, Defense Minister Ishiba welcomed the Pentagon's statement in yesterday's news conference after a cabinet meeting.

Despite that official comment, however, a senior official of the Foreign Ministry said the Pentagon statement was not substantial enough to tide over the Diet session.

The Pentagon statement denied the suspected diversion of fuel,

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maintaining that the fuel was entirely consumed on Operation Enduring Freedom (OEF) in the war on terror. But the statement also said it was difficult to track the actual use of fuel.

Fuel provided by Japan is mingled in a vessel's tank with fuel from other sources. In the case of indirect refueling from an MSDF supply ship through another supply ship, the Pentagon said it would be even more complicated to account for the use of such fuel. In addition, the Pentagon also admitted that US naval vessels may be engaged in multiple missions.

The Pentagon, in its statement, underscored the complexity of tracking how fuel was used. What was then in the US side's mind? "They say fuel is mingled and their warships are engaged in multiple missions," a senior official of the Foreign Ministry said. "But," this official went on, "that's common sense in the military." The official added, "The statement shows US government irritation at the Japanese government's stance of asking it to provide information about each vessel's use of fuel." Another government official confessed, "This may provide ammunition for the opposition parties."

The government is also wavering in its parliamentary replies over the suspected diversion of fuel.

The USS Kitty Hawk, a US Navy aircraft carrier, was indirectly refueled with 675,000 gallons by the Tokiwa, an MSDF supply ship, through a US Navy supply ship. The Kitty Hawk was thereafter engaged in military operations against Iraq, so she is suspected of having used MSDF-supplied fuel for the Iraq operations. Defense Minister Ishiba, sitting in on the House of Representatives Budget Committee during its Oct. 10 meeting, denied this suspected diversion of MSDF-provided fuel. "The provided fuel was entirely consumed on OEF within a three-day timeframe," Ishiba stated before the committee.

However, the leading opposition Democratic Party of Japan (Minshuto) pursued the government. The DPJ admitted that the Kitty Hawk might have burned 675,000 gallons in three days' time, but the DPJ also maintained that the MSDF-provided fuel was mingled in the Kitty Hawk's tank with fuel from other supply vessels. The DPJ therefore noted that it could not say the MSDF fuel was not used at all for

the Iraq operations. On Oct. 11, Ishiba slightly retouched his previous reply, saying the Kitty Hawk "used up an amount of fuel that is equivalent to the amount of fuel provided by Japan."

Meanwhile, the Defense Ministry looked into nearly 800 fuel supplies the MSDF has made over the past six years and inquired of the United States about those fuel supply cases. The United States, however, concluded that it would be difficult to find out how the MSDF fuel was used.

(2) US expects Japan to put end to diversion allegation involving MSDF fuel

NIKKEI (Page 3) (Excerpts)
October 20, 2007

Hiroshi Maruya, Washington

The United States government issued, in short order, two statements that denied the allegation of diversion to the Iraq war of fuel provided by the Maritime Self-Defense Force (MSDF) in the Indian

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Ocean. The US will now call on the Japanese government to make efforts to enact the new legislation to extend the MSDF refueling mission. The US deems as its final reply the statements it compiled after detailed checking of the records in response to a request from the government and the ruling camp.

US Ambassador visits Kantei

US Ambassador to Japan Schieffer called on Prime Minister Yasuo Fukuda at his official residence (Kantei) yesterday and said: "We expect Japan will continue the MSDF refueling operation. To that end, we would like to offer cooperation as much as possible." The prime minister, however, indicated a possibility that the refueling mission might be suspended temporarily, saying: "Since we must establish a new law, the operation might be briefly suspended."

The US has denied the allegation of diversion of MSDF-provided oil for use in the Iraq war. The ambassador categorically said to reporters after meeting with Fukuda: "None of Japan's fuel has gone to Iraq." However, it is indeed difficult to track how all the fuel was used.

A statement issued by the Department of Defense on October 18 noted that we "believe" that MSDF-provided fuel was not used for other purposes than Operation Enduring Freedom (OEF) in Afghanistan. The statement thus denied the alleged diversion but also admitted the difficulty of tracking the use of all fuel.

As the reason for the difficulty, the statement cited: "The fuel is not separated from other fuel and put in a different tank." Many observers see this response as natural in view of military common sense.

To respond to inquiries from Japan about specific cases, the Defense Department investigated even past refueling cases. There was dissatisfaction in the government at a continuation of such work in the future.

Possible effect on alliance

The latest statement issued eight days after the first one includes comprehensive contents, indicating the US government's desire to put an end to the diversion issue. There reportedly is an atmosphere in the US Defense Department expecting Japan to enact the new law in return for the US' efforts to carry out the complicated work. The ball is now in Japan's court.

(3) Former Defense Agency's bidding for chemical disposal technology delayed due to senior vice-foreign minister's pressure to adopt costly Foreign Ministry formula

SANKEI (Top play) (Abridged slightly)
October 22, 2007

In 2003, then Defense Agency was in the process of determining a technology for disposing of the abandoned chemical weapons lying on the seafloor in Kanda Town, Fukuoka Prefecture. But the planned bidding for determining the method was delayed by one month due to intervention by the then senior vice foreign minister. Around that time, preparations were underway for a Foreign Ministry-led project to dispose of chemical weapons abandoned in China by the Imperial Japanese Army at the end of World War II. The trouble was triggered

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by the Defense Agency's attempt to adopt a technology different from that of the Foreign Ministry's project. A consulting firm engaged in the chemical disposal project in China was found to have received huge profits from official contracts by padding bills. Behind the scandal lies the opaqueness of the Chinese project that was far costly than the Japanese project.

In October 2003, the Defense Agency Defense Operations Division, which was responsible for the planned competitive bidding for the Kanda Town chemical weapons disposal project, was troubled by repeated calls from a certain lawmaker that started about a month earlier. The caller came from then Senior Vice-Foreign Minister Tetsuro Yano, a House of Councillors member of the Liberal Democratic Party.

On the phone, Yano always said: "It is absurd for the Defense Agency not to use the formula adopted in the chemical disposal project in China." Representing the Defense Agency, the bureau chief and other officials responsible for the project called on Yano to brief him on the agency's process, but the agency was eventually forced to postpone the tender.

In order to disable old chemical weapons, ammunition must be dismantled, which can be done by means of: (1) heating blasts, (2) controlled blasts, (3) breaking up, or (4) cutting them up.

In FY1999, a China chemical weapons disposal office was established in the Cabinet Office under the leadership of the Foreign Ministry. Research study was left mainly to the hands of the Japan Institute of International Affairs (JIIA) affiliated with the Foreign Ministry. In the spring of 2003, an agreement was reached with China on a plan to mainly use the heating blast method. Over 17 billion yen had been poured into this research study over a five-year period.

Meanwhile, research and study on the Defense Agency-led Kanda Town project was commissioned to the Security Research Institute (Anzen Hosho Kenkyujo) through the open tender. As a result of field studies in five Western countries, three methods were proposed. In the summer of 2003, the Defense Agency drew up a plan to build a disposal plant using the controlled blast formula after hearing views at the evaluation committee composed of external experts and others. The Defense Agency's research and study cost came to less than 50 million yen.

The research costs were 17 billion yen against 50 million yen. An estimated 700,000 gas shells were buried in China against 580 shells (later the estimation was increased to 4,000 shells) in Kanda Port. There were some other differences between the two sites, such as where they were buried, underground or underwater. The lack of clarity of the budgetary steps taken by the Foreign Ministry were pointed out, even all those factors were taken into consideration.

In his repeated telephone calls to the Defense Agency, Yano demanded an explanation, saying, "The conclusion was reached to use the heating blast formula through talks with the Chinese government. The Defense Agency should make a decision by respecting that conclusion."

Troubled by Yano's calls, the Defense Agency asked a former Defense Agency Technical Research and Development Institute weapons expert, who was a member of the Kanda Port disposal project committee, to

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deal with the lawmaker. As a result, the Defense Agency was able to conduct the bidding without changing the plan in November that year, a month behind schedule, with the project awarded to Kobe Steel, Ltd.

In disposing of chemical weapons, any method would require building a large plant resembling a nuclear reactor and the improvement of infrastructure, thereby drawing the keen attention of the defense industry. All companies came forward in collaboration with Western enterprises with their chemical disposal technologies. But in the end, Kobe Steel, which advocated the controlled blast formula, and JEE, which represented the heating blast method, were regarded as most promising.

A Defense Agency source who was involved in the Kanda Port project explained the background of the delayed bidding this way: "The Foreign Ministry and JIIA that poured an enormous amount of money into research and study on Chinese project took the Defense Agency's conclusion with a small cost caused them to lose their face toward the Chinese government."

The disposal project in China was handed from JIIA to the newly established Abandoned Chemical Weapons Disposal Corporation in April 2006. Pacific Consultants International Group, a private-sector construction consulting firm, is now suspected of having swindled the government out of more than 100 million yen by padding bills for the chemical disposal project in China.

(4) Controversy over economic policy being reignited in LDP, with power shifting to lawmakers calling for fiscal reconstruction

NIKKEI (Page 2) (Full)
October 19, 2007

A dispute over the nation's tax and fiscal policies is being rekindled in the Liberal Democratic Party. Under the former Abe cabinet, former Secretary General Hidenao Nakagawa, who gives priority to economic growth, took the initiative. Under the Fukuda cabinet, however, lawmakers prioritizing fiscal reconstruction, including former Chief Cabinet Secretary Kaoru Yosano and Policy Research Council Chairman Sadakazu Tanigaki, are taking the lead in debate. Fearing that his policy advocacy might be rejected, Nakagawa has fiercely reacted. Discussion on economic policy is already heating up before the LDP's Tax System Research Commission starts deliberations on Oct. 25.

In an interview with the Nikkei yesterday: Yosano said: "It is ridiculous to call for establishing a small government, which is like advocating a night watchman state." Taking up this remark, Nakagawa, a leader of the Machimura faction, assailed: "The idea of creating a small government is specified in the party's new platform. Calling it ridiculous might be taken as insulting the party."

Under the Koizumi administration, Nakagawa served as Policy Research Council chairman, while Yosano was state minister in charge of economic and fiscal policy. When the Abe administration was launched, Nakagawa assumed real power for policy making. But under the Fukuda administration, the weight has been shifted from Nakagawa to Yosano, who now chairs the Fiscal Reform Research Council, and Tanigaki, who chairs the Policy Research Council.

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The presence of the Finance Ministry, which is eager to reconstruct the nation's financial system, can be detected behind moves by Yosano and Tanigaki. A senior economic official said: "Unlike the former Abe administration, which was unnecessarily hostile to the bureaucracy, the Fukuda cabinet seems to be willing to work in cooperation with government ministries."

As if touched off by controversial remarks by Yosano and others, debate in the party has become animated. In a press conference yesterday, Chief Cabinet Secretary Nobutaka Machimura said: "Even if we use only sweet words, it is uncertain whether we will be able to

win the next election," distancing himself from the Nakagawa-advocated policy of focusing on economic growth.

Meanwhile, former Internal Affairs and Communications Minister Heizo Takenaka, close to Nakagawa, expressed a sense of alarm about the policy of focusing on tax increases as a means to reconstruct state finances. He said in an article carried in the Nikkei: "For financial reconstruction, there are two ways: a tax increase and economic growth. I am concerned that only views favoring tax hikes will be incorporated."

With an eye on dissolution of the House of Representatives for a snap election, many are paying attention to whether a rise in the consumption tax and a timetable for the hike will be specified in an outline for tax system reform due out in December. Tax System Research Commission Chairman Yuji Tsushima, who chairs the Tsushima faction, only said in a general meeting of the faction: "We should not reach a conclusion in haste. We still have a blank state."

(5) Government to launch resource diplomacy toward Africa, mulls yen loans to Angola

SANKEI (Top Play) (Full)
October 21, 2007

The government decided yesterday to step up efforts to activate resource diplomacy toward Africa. It is mulling the possibility of offering yen loans for the first time to Angola, which abounds in such natural resources as oil and natural gas. The government also plans to resume yen loans to Madagascar, which is rich in nickel resources. To counter China's active resource diplomacy toward Africa through financial aid, Japan also aims to secure a stable procurement of natural resources lying idle in the region by expanding its assistance to Africa. The government plans to come up with specific assistance measures in a meeting of the Tokyo International Conference on African Development to be held in Yokohama next May under its sponsorship.

The volume of daily oil production in Angola is about 1.4 million barrels (in 2006). International oil majors have joined the exploitation of oil there. Angola became a member of the Organization of Petroleum Exporting Countries (OPEC) this January, pushing up its status as an oil producer.

Angola has improved its repayment capability as its economy is being headed toward growth owing to an increase in its oil income. Given this, Japan has begun looking into providing that nation with yen loans for the first time. Angola, however, is now engaged in negotiations with the so-called Paris Club of creditor nations on the issue of its debt repayment, so when prospects for a settlement in the negotiations are opened up, Japan intends to start offering

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yen loans to it.

Japan has now suspended new yen loans to African countries because of their low ability to repay debts, but it will promote the process of resuming yen loans to such countries. In addition to Madagascar, Zambia, a copper-producing country, is being cited as eligible for Japan's yen loans.

The government further has decided to distribute approximately 27 billion yen in yen loans for a project to expand facilities at the port of Mombasa in Kenya. Mombasa Port is defined as an important point for goods distributions in the middle-eastern Africa. Japan believes the project will also contribute to facilitating the procurement of resources from its neighbors. Both sides will sign an agreement possibly next month.

Against the backdrop of globally rising resource prices, a stably procurement of rare metals is becoming a major challenge for Japan. Reflecting the world paying attention to Africa as a potential region for resource development, an official of the Ministry of Economy, Trade and Industry said: "We would like to secure a stable procurement of natural resources by offering yen loans" to Africa.

China is also steadily obtaining natural resources from Africa with "huge economic aid in disregard of international standards," according to a financial source.

China held an international conference that brought together the leaders of 48 African countries in Beijing in November 2006 and pursued active resource diplomacy there.

In the TICAD in Yokohama next May Under, Japan intends to come up with measures to assist Africa under its official development assistance (ODA) program in an effort to strengthen diplomatic and economic ties with African countries.

(6) Hiroshima police to demand custody of 4 US servicemen over gang rape

ASAHI (Page 39) (Full)
October 20, 2007

A woman was recently assaulted by a group in the city of Hiroshima. In this incident, Hiroshima prefectural police will obtain arrest warrants for four US servicemen stationed at the US Marine Corps' Iwakuni base in the city of Iwakuni, Yamaguchi Prefecture, on suspicion of gang raping her. After that, the Hiroshima police will ask US Forces Japan early next week to turn over the four under the Japan-US Status of Forces Agreement (SOFA).

According to the investigation, the four US servicemen got to know a 19-year-old female at a dance event at a hall for rent in Hiroshima City. The four US servicemen forced her into a car, and they drove to another parking lot about 2 km away, where they allegedly gang-raped her in the car at around 3:30 a.m. on Oct. 14.

The police also found that the four US servicemen left the female in the parking lot and then drove to a restaurant in the city, where they brought about another assault incident. The Hiroshima police reported the incidents to USFJ. The four US servicemen were held by the US military as they returned to the base that day, the police said.

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The Iwakuni base's press division told the Asahi Shimbun yesterday that four Marines were in custody at the base in connection with the Hiroshima prefectural police's investigations. The base press division said it could not answer whether the base would turn over the four to Japanese police.

SOFA stipulates the status of US military personnel stationed in Japan. In case US military personnel are in US military custody over their off-duty or off-base crimes, police authorities will seek arrest warrants for them and ask the US military through the government to turn them over to the Japanese police.

Iwakuni Base is located in the city of Iwakuni. The city's mayor, Katsusuke Ihara, met the press yesterday. "If it's true, it's very regrettable," Ihara said when he met the press yesterday. This kind of incident "must not happen," the mayor added. Along with the realignment of US forces in Japan, the US military plans to move 59 carrier-borne fighter jets and others from Atsugi Base in Kanagawa Prefecture to Iwakuni by 2014. After they are moved to Iwakuni, the number of military personnel and civilian employees at Iwakuni Base will increase to about 6,000, an increase of 50 PERCENT over the base's present population. "If there is an increase in the number of (US military) personnel, there will be a much higher risk (of incidents)." With this, the mayor expressed his concern.

(7) Prime Minister's schedule, October 20

NIKKEI (Page 2) (Full)
October 21, 2007

11:24

Visited the Imperial Palace with his wife to celebrate the Empress's birthday.

12:27

Met with his secretaries at the Grand Prince Hotel Akasaka to make arrangements.

15:38

Returned to his private residence in Nozawa.

Prime Minister's schedule, October 21

NIKKEI (Page 2) (Full)
October 22, 2007

10:00

Attended a ceremony in commemoration of the 125th anniversary of establishment of Waseda University at the university in Toyama. Former Prime Minister Kaifu and others also attended.

12:12

Returned to his private residence in Nozawa.

(8) TOP HEADLINES

Asahi, Mainichi, and Tokyo Shimbun:
MSDF has been concealing fuel info error since 2003

Yomiuri:
PCI netted 120 million yen by padding bills

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Nikkei:
Government, ruling camp to postpone plan to use gasoline tax revenue for general purposes

Sankei:
Senior vice foreign minister interfered in bidding for chemical weapons disposal project

Akahata:
Chairman Shii calls for earnest antiterrorism law debate in interview

(9) EDITORIALS

Asahi:
(1) Prohibition of long tenure for local chiefs must be left to each municipality
(2) Bloodshed in Pakistan results from war on terrorism

Mainichi:
(1) US holds key to global economy
(2) Reform of civil servant system a test of prime minister

Yomiuri:
(1) Constitutional debate must move forward
(2) Former Vice-Defense Minister Moriya's collusive ties to defense contractor intolerable

Nikkei:
(1) Simple and solid building authorization system necessary
(2) EU becoming flexible with new treaties

Sankei:
(1) False campaign violation charges must be eliminated
(2) Life-support treatment requires serious thought

Tokyo Shimbun:
(1) Rising food prices
(2) Tax hike argument should go hand in hand with spending cuts

Akahata:
(1) Disaster victim assistance law must be revised to swiftly fund housing

SCHIEFFER